ENTERPRIS
PE
1998 1999
ANNUAL REPORT
Prince Edward Island

100-05187/

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Mandate

Enterprise P.E.I. leads the business development effort for the province. Its role is central and critical to government's overall objective of advancing sound business development initiatives.

Enterprise P.E.I. provides leadership in the implementation and support of economic development and assists in the establishment and maintenance of profitable and wealth-creating businesses in Prince Edward Island. The corporation solicits and supports investment, creating jobs and wealth for Prince Edward Island; actively supports small business; encourages entrepreneurship and investment risk sharing; and actively promotes PEI as a competitive place to do business.

Enterprise P.E.I. has the lead role in attracting new businesses and prospective business partners to the province. As well, the corporation provides leadership in the trade development and export initiatives of the province.

Message from the Chief Executive Officer

Honourable Don MacKinnon
Department of Development
PO Box 2000
Charlottetown, PE
C1A 7N8

Dear Minister:

It gives me great pleasure to submit the Annual Report of Enterprise P.E.I. for the fiscal year ended March 31, 1999.

As Chief Executive Officer, it is my responsibility to work with my staff to ensure that we meet the objectives that we have established for Enterprise P.E.I. We also work very closely with our federal partners to ensure that together we meet the needs of our clients. We are committed to working with our partners to ensure that we complement rather than duplicate our efforts.

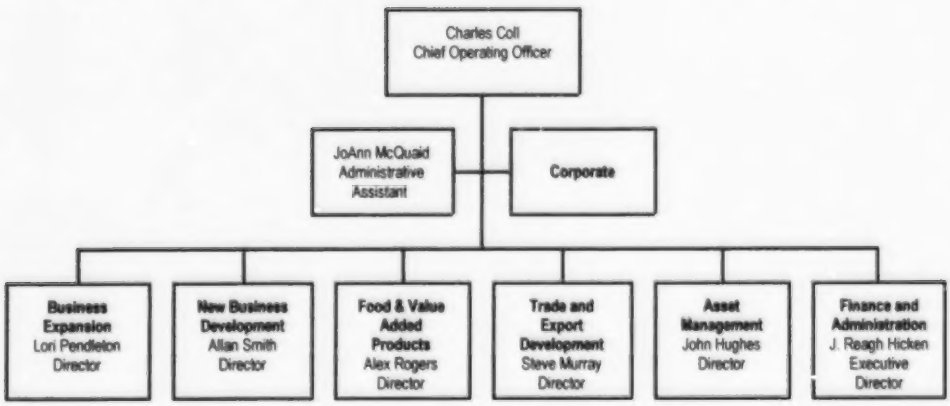
Enterprise PEI continues to work successfully with new and existing businesses creating jobs and wealth for Prince Edward Island. The priority sectors over the past year continued to be small business, value-added food processing, information and communications technology, aerospace, biotechnology, and diversified manufacturing.

These are both exciting and challenging times. The staff of Enterprise P.E.I. look forward to the challenges of the next fiscal year. We will continue to endeavour to meet the needs of Islanders and businesses that approach Enterprise P.E.I.

Respectfully submitted,

Jim Johnston
Chief Executive Officer

Organizational Chart



As at March 31, 1999

Staffing Summary

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TOTAL	41

Year in Review

Enterprise P.E.I. leads the business development effort for the province. Its role is central and critical to government's overall objective of advancing sound business development initiatives. Enterprise P.E.I. provides leadership in the implementation and support of business development and assists in the establishment and maintenance of profitable and wealth-creating businesses in Prince Edward Island.

The corporation solicits and supports investment, creating jobs and wealth for Prince Edward Island; actively supports small business; encourages entrepreneurship and investment risk sharing; and actively promotes Prince Edward Island as a competitive place to do business. Enterprise P.E.I. has the lead role in attracting new businesses and prospective business partners to the province. As well, the corporation provides leadership in the trade development and export initiatives of the province.

A cost comparison study released by the KPMG Consulting Group in March 14,1999, once again rated Charlottetown as one of the top cities in North America to operate a business. This past year has seen continued economic growth including increased exports and job creation.

Support for the small business sector continued to be a high priority with Enterprise P.E.I. During the past year the corporation allocated additional resources to assist small business. One example of this commitment was with the Entrepreneur Loan Program. Last year Enterprise P.E.I. approved a record amount of dollars to assist new business owners with starting their own business. New small business programs included the establishment of a Low Interest Loan Program and the Small Business Employee Support Program which is a joint initiative with Human Resources Development Canada.

Enterprise P.E.I. priority sectors for new business development remained focused on aerospace, information technology, biotechnology, value- added food products and diversified manufacturing. Significant achievements were experienced in a number of areas including the expansion of Tube Fab Ltd. and a partnership agreement with Unisys that will operate a Justice Technology Centre in Charlottetown. Additional information on specific results are contained within the body of this report.

The Gateway Village retail and tourism development continues to mature and expand. With over one-half million visitors annually (1998), Gateway Village has established itself as a premier "Welcome Centre." Gateway Village is continuing to attract a broad range of investment, with particular emphasis in 1999 on retail giftware and food/beverage services. Two new major developments will be added in 1999, for a total of over 30 businesses in Gateway Village. Planning is underway to guide the future development of the site, as it begins to establish the Borden-Carleton site as a significant provincial and regional attraction destination.

During the past year, Enterprise P.E.I. assisted in 106 food processing related projects both new business start-ups and expansions. Typical funding activities included market research, market development and promotion, capital assistance and strategic infrastructure investment. Collectively, these initiatives represent an 11 million investment in the Island food industry.

L'année en bref

Entreprise Î.-P.-É. dirige les projets d'expansion des entreprises dans la province. Elle a un rôle très important, au coeur même de l'objectif d'ensemble du gouvernement qui est de contribuer à l'avancement de projets de développement d'entreprise solvables. Entreprise Î.-P.-É. fournit une direction pour la mise en oeuvre et le soutien ayant trait à l'expansion des entreprises et fournit un appui aux entreprises pour ce qui est de l'établissement et du maintien d'entreprises contribuant à l'essor économique de l'Île-du-Prince-Édouard.

La société sollicite l'investissement et y apporte son soutien, contribuant ainsi à la création d'emplois et de richesses pour l'Île-du-Prince-Édouard. Elle appuie activement les petites entreprises, incite l'entrepreneuriat et la communauté de risque par rapport à l'investissement et fait la promotion active de l'Île-du-Prince-Édouard à titre d'endroit compétitif pour les affaires. Entreprise Î.-P.-É. est chef de file pour ce qui est d'attirer de nouvelles entreprises et des associés d'affaires potentiels dans la province. De même, la société procure une direction dans le domaine de la promotion du commerce et des projets d'exportation pour la province.

Une étude comparative publiée par *KPMG Consulting Group* le 14 mars 1999 plaçait une fois de plus Charlottetown parmi les dix premières villes d'Amérique du Nord où il fait bon faire des affaires. Au cours de l'année qui s'est écoulée, nous avons connu une croissance économique continue ainsi qu'une augmentation des exportations et de la création de nouveaux emplois.

Le soutien au secteur des petites entreprises est demeuré en tête des priorités auprès d'Entreprise Î.-P.-É. Au cours de l'année qui s'est écoulée, la société a affecté des ressources additionnelles au soutien des petites entreprises. Un exemple concret de cet engagement est le Programme de prêt aux entrepreneurs. L'an dernier, Entreprise Î.-P.-É. a approuvé une somme d'argent inégalée afin de venir en aide aux propriétaires qui démarrent de nouvelles entreprises. Parmi les nouveaux programmes destinés aux petites entreprises, notons l'établissement d'un programme de prêt à faible taux d'intérêt ainsi que le Programme d'aide aux employés de petites entreprises qui s'effectue en collaboration avec Ressources humaines Canada.

Les secteurs prioritaires pour Entreprise Î.-P.-É. dans le domaine de la prospection de la clientèle d'affaires demeurent l'aérospatiale, la technologie de l'information, les produits alimentaires à valeur rajoutée et le secteur manufacturier. D'importantes réalisation ont pris place dans un certain nombre de secteurs, notamment, l'expansion de Tube Fab Ltd. et l'entente de partenariat avec Unisys qui exploitera un centre de technologie judiciaire à Charlottetown. Le présent rapport renferme des renseignements additionnels sur les résultat de la société.

Au Village Gateway, le développement du tourisme et de la vente au détail continue sa croissance et son expansion. En 1998, il a reçu un demi-million de visiteurs. Ainsi, le Village Gateway s'est établi une réputation de « Centre d'accueil » de premier rang et il continue d'attirer une vaste gamme d'investisseurs, particulièrement, en 1999, dans les domaines de la vente au détail d'objets-cadeaux et des services de restauration. L'année 1999 verra l'ajout de deux développements importants, qui totaliseront plus d'une trentaine d'entreprises au Village Gateway. On planifie à l'heure actuelle les développements d'avenir de l'endroit tandis qu'il commence à établir la notoriété de l'emplacement de Borden-Carleton à titre de destination d'attrait régional et provincial importante.

Au cours de l'année qui s'est écoulée, Entreprise Î.-P.-É. a porté assistance à 106 projets de transformation des aliments, soit par le démarrage de nouvelles entreprises ou soit par l'expansion d'entreprises déjà existantes. Les activités de financement typiques englobaient les études de marché, l'expansion et la promotion de marchés, l'aide financière et l'investissement stratégique dans l'infrastructure. En tout, ces projets ont représenté un investissement de l'ordre de 11 millions dans l'industrie de l'alimentation de l'Île.

Business Expansion Division

Lori Pendleton, Director

Support to the small business community continues to be a high priority. The ministry announced several new initiatives to support the growth of indigenous industry in all sectors of the province. The majority of these initiatives were developed in partnership with the Province's business partners and designed to increase access to information to the small business community.

The new Small Business Employee Support Program is a joint initiative with Human Resources Development Canada, established to create new employment positions with Island business. In the 1998/99 fiscal period this program placed 196 individuals in Island-based companies with a retention rate of 70 percent.

A second major provincial initiative was the establishment of a Low Interest Loan Program directed at small business. This program provides financing to strategic small business initiatives at the same rates as those available for larger initiatives under the Province's Immigrant Investor Fund. The program is delivered jointly with the Prince Edward Island Lending Agency and provided an interest buy down on 14 loans totalling $2,011,175 in loans to small business.

The Province, determined to maintain a strong retail base, announced its marketing strategy for provincial sales tax exemptions. This awareness campaign increased awareness among residents and non-residents of the provincial sales tax exemptions. In the 1998/99 fiscal period, record retail sales levels in excess of $1,000,000,000 were reached by Island businesses.

In 1998, Enterprise P.E.I., on a pilot basis in Souris, PEI, delivered the Human Resources Development Canada (HRDC) Self Employment Assistance benefit to HRDC clients. This initiative provided a streamlined delivery process of HRDC and Enterprise P.E.I. programs providing for better service to the business community. As a result of this initiative, this pilot project has continued and is now providing a more comprehensive service to clients of both agencies.

Recognizing that small business owners require ongoing skills training, within limited time frames and cost, Enterprise P.E.I., in conjunction with its business partners in the East Prince area, delivered an Entrepreneurship Development Program composed of 11 courses to small business in addition to a 30-hour business preparation course. This series of information sessions were attended by 200 companies and was so successful that Enterprise P.E.I. proposes to undertake the initiative Island-wide in the next fiscal year.

The Province continues to provide cost-shared assistance for new business start-ups, capital expansion projects and a host of marketing assistance projects ranging from travel and trade shows to assistance in the development of new products and services. Particular emphasis was placed on assistance to companies seeking to expand their participation in export markets. In addition, assistance to 132 new and expanding businesses was provided under the Entrepreneur Loan Program, which is continued evidence of the strong popularity of this program.

New Business Development Division

Allan Smith, Director

Biotechnology (Life Sciences)

With continued rapid global growth of the biotechnology sector, Canada is now ranked number two in terms of the number of biotechnology companies. Prince Edward Island has identified specific competitive strength subsectors within life sciences which build upon both the traditional primary industries and the established research and development infrastructure.

Business development efforts have focussed on the continued development of the key life science companies resulting in an increase of approx-imately 50 new life science positions in manufacturing with additional research positions. Additional growth has occurred within the province's research and development community based on the commercial activities of the University of Prince Edward Island's commercial subsidiary AVC Inc., the Lobster Health Research Unit, the Canadian Aquaculture Institute, Aquatic Diagnostic Services and the Atlantic Fish Health Unit. The province's research infrastructure has been enhanced through the construction of the Swine Research Facility in Harrington, PEI, permitting an expanded program of research attending to the needs of the Island's hog industry, and the continued operation of the Cardigan Fish Hatchery through AVC Inc.

New developments were sought in the areas of human and veterinary diagnostics, medical devices, nutriceutical products, all of which are expected to lead to additional employment within the next fiscal year.

Aerospace

By the end of the fiscal year, approximately 360 PEI residents were employed in the Island's aerospace industry, compared to 320 in 1997/98 and 250 in 1996/97. The associated payroll for the year was approximately $10.4 million. The growth of the aerospace industry, which is less than seven years old, can be further illustrated by the total export sales of the industry for 1998/99 which has reached the $100 million level.

During the past year, the major achievements were; the 300 percent growth for Tube-Fab, the completion of the Atlantic Turbines International expansion, and the establishment of nationally certified aerospace training programs at the newly expanded Aerospace and Technology Centre at Slemon Park.

Further development efforts will be directed at expanding the number of firms at Slemon Park's Aerospace Centre and working with the established companies to promote their growth.

Information Technology

The information technology sector in PEI continues to expand and diversify in the rapid pace of the global knowledge economy. The province is quickly becoming known within the Information Technology (IT) industry for its competitive telecommunications infrastructure, information technology training capacity and a receptive business environment.

A 1998 survey commissioned by the Knowledge Economy Partnership in PEI found that the information technology sector on the Island now accounts for approximately 900 jobs (excluding call centres), and that new IT jobs should increase by 80 percent over the next three years. The private sector is expected to account for 88 percent of those jobs, many of which are expected to be created in customer support positions and specialty areas such as software development and maintenance.

Following the explosive growth of Internet marketing, a number of Island companies have implemented electronic commerce capabilities into their traditional business processes. Companies such as Vesey's Seeds, Paderno and Cow's have developed online catalogues designed to capitalize on export market opportunities for their products and services. The investments in research and technology made by these progressive PEI companies will undoubtedly pave the way for many more Island firms seeking to expand their export market potential.

The Province has initiated discussions with Unysis Canada Inc., setting the stage for partnering on issues of information technology cooperation in the justice sector. Under a proposed agreement, Unisys will operate a Justice Technology Centre in Charlottetown to develop and support justice sector products and services such as training for court personnel, consulting on justice sector processes, integration services, remote management services, and the development and support of any new justice sector products and interfaces. The centre is estimated to grow to 10 to 12 employees over the next two years.

PEI's call centre industry continued its expansion with Watt's Communica-tions, Online Support and Advantage Marketing & Communications, all experiencing steady growth and gains in market share. Watt's new Summerside facility opened in 1997 with 150 seats and reached near capacity with over 200 employees while Online Support has grown to over 200 employees with plans for a second facility scheduled for 1999.

PEI played host to a revolutionary study identifying a technology that a country could potentially adopt and use for the purpose of carving out a niche in the global marketplace. Prince Edward Island was selected as the pilot location for the methodology. The project's final report, entitled *Lighting The Way*, was the result of a collaborative effort made on behalf of the Institute of Island Studies at the University of Prince Edward Island, the Knowledge Economy Partnership (KEP) and various other government agencies, educational bodies and private sector partners.

Islanders participated in the first ever IT Week in PEI; an event designed to showcase PEI's advances in information technology and provide Islanders an insider's view into the current and future world of technology. Activities during the week demonstrated how IT affects so many aspects of today's society. The event featured workshops, exhibits, key note speakers, entertainment and a gala dinner. The event drew national attention and is already being used as a model for similar events across the country.

A provincial government delegation and representatives from 11 Island IT companies attended SoftWorld '98 in Newfoundland, an annual industry event that attracted over 900 registrants from 35 countries. The PEI delegation included Premier Pat Binns, the only premier to attend the conference aside from host Premier Brian Tobin of Newfoundland. SoftWorld is a networking conference designed to give participating companies and agencies a forum to showcase their IT capabilities, venture into developing markets and strengthen businesses in the global knowledge economy.

Participation at SoftWorld '98 offered an excellent opportunity for the Island's IT industry to demonstrate its growing expertise and explore potential for new business in a highly targeted environment.

Asset Management Division

John Hughes, Director

The Asset Management Division (AMD) was established in October 1998.

The Asset Management Division is responsible for management, administration and strategic planning relating to the investment properties owned by Enterprise P.E.I. (EPEI), Gateway Village Development Inc. (GVDI) and Environmental Industrial Services Inc. (EISI). Additionally, the AMD is responsible for Enterprise P.E.I.'s corporate accommodations.

The AMD manages the provincial interest in both the West Royalty and Summerside Industrial Parks. Both properties were established approximately 20 years ago and are nearing full capacity. The two sites are home to more than 60 businesses and employ approximately 1,500 Islanders. Recently, there has been higher levels of participation and interest in the development of high quality business sites. There are currently business parks across the province under ownership of federal, provincial and municipal entities. Also, as is consistent with national and international trends in business park development, local municipalities are showing an increasing interest in taking a leadership role with respect to developments within their respective boundaries.

At the direction of the Minister of Development, the AMD has initiated a review of existing and proposed business parks, with the goal of establishing a strategic plan to coordinate the development and marketing of a province-wide network of quality sites, that would be conducive to attracting higher levels of private sector investment.

The Gateway Village retail and tourism development continues to mature and expand. With over a half million visitors annually (1998), Gateway Village has established itself as a premier "Welcome Centre." Gateway Village is continuing to attract a broad range of investment, with particular emphasis in 1999 on retail giftware and food/beverage services. Two new major developments will be added in 1999, for a total of over 30 businesses in Gateway Village. Planning is underway to guide the future development of the site, as it begins to establish the Borden-Carleton site as a significant provincial and regional attraction destination.

As a priority, the Asset Management Division will seek to work with federal, municipal and private investor partners in the development of business environments that attract wealth and job creating investment.

Food and Value Added Products Division

Alex Rogers, Director

As a result of the Province's desire to place increased emphasis on the food sector, the Food and Value Added Products Division was established in February 1999. The division has been tasked with the responsibility of focussing human and financial resources in an effort to help the sector grow. The Food Division will place heavy emphasis on market development, strategic capital and infrastructure investment, and new opportunities for development.

The newly constructed $31 million AgraWest Investment Inc. potato granule plant began commercial production in September 1998. Despite initial production hurdles, AgraWest has been successful in obtaining certified supplier status with a number of large industrial users of potato granules worldwide.

With the assistance of Enterprise P.E.I., Island Quality Vegetables Inc. was established in 1998. In its first season, the company processed approximately 100 acres of cauliflower supplied by its grower members, with plans to process over 400 acres of cauliflower and broccoli in the 1999 season. This initiative will provide market stimulus to help displace production lost to the decline in tobacco production, and help establish a significant cole crop industry for PEI.

In an effort to support rural development and employment at the Garden Province Meats plant, three new large-scale hog operations were assisted over the 1998/99 fiscal period. Lastly, a number of seafood processing operations were assisted to help bring production practices and facilities in line with increasingly stringent food safety and hygiene standards.

During the 1998/99 fiscal year, Enterprise P.E.I. assisted in 106 food processing related projects. Both new business start-ups and expansions were funded over the year. Typical funding activities included market research, market development and promotion, capital assistance, and strategic infrastructure investment. Collectively, these initiatives represent an $11,587,467 investment in the Island food industry.

A number of strategic initiatives were undertaken and/or continued during the fiscal year. New promotional materials were developed for the shellfish industry and the Food and Beverage Processors Association. In conjunction with the Island seafood processing community, efforts were undertaken by the Food Division and FTC Enterprises to commercialize the Lobster 2000™ product. In an attempt to better address and respond to industry infrastructure needs, the Food Division commissioned a freezer and refrigerated storage capacity study in the agri-food and seafood industries. The Food Division also undertook market research on Canadian retail and food service markets, and the emerging Canadian nutraceutical industry.

Trade and Export Development Division

Steve Murray, Director

Strategic Initiatives

The primary objectives of the Trade and Export Development Division are to increase the number of P.E.I. companies actively exporting and to increase the revenue from exports.

With these objectives in mind, a strategy which recognizes the number and size of Prince Edward Island's active exporters has been articulated. Given the restrictions of staff and budget, the strategy focuses on sectors which have the greatest potential for growth and targets their activities to geographic areas which will support this growth.

Although there are exceptions, the majority of the experienced Island exporting firms are connected to the agriculture or fisheries sectors. These firms either process and market products from these sectors or provide services to these sectors. The proactive initiatives undertaken by the Trade and Export Development Division have been directed toward working with companies which provide products or services to the potato sector (storage, handling, processing), aquaculture sector (equipment, training) and tourism sector (property development, training).

Through its initiatives, the Trade and Export Development Division provides Island firms with market information and contacts in specific geographic areas. These areas are chosen in consultation with sector groups and meet criteria for good GDP growth, stable economies, sector concentration. These geographic areas include Eastern Europe (potato), Eastern Europe and Caribbean (tourism) and Latin America and South East Asia (aquaculture).

The Trade and Export Development Division also supports companies in a reactive way. Applications are taken for activities which assist firms in gaining market intelligence or solidifying market contacts. Activities supported are classified as "high risk," meaning that companies have gathered enough information to enter into the activity but are uncertain as to the result.

For those companies which are inexperienced in exporting, the Trade and Export Development Division has built a program which focuses on the north eastern United States as the initial export market. This area was selected due to its market potential, proximity, culture and currency differential.

The Trade and Export Development Division carried out a number of strategic initiatives including ongoing discussions with a Polish potato chip factory regarding linkages with Island service and equipment providers. Additionally, the development of a design, build and lease storage program for McCains also progressed during the past year. In the aquaculture sector, projects with the Atlantic Veterinary College and the Canadian Aquaculture Institute partnered with the division to assist in activities in Latin America.

During 1998/99 the Trade and Export Development Division placed an MBA student in the Canadian Embassy in Santiago, Chile. The division developed a work plan and supervised her progress. As well as investigative work in the aquaculture sector, the student identified potential buyers for Charlottetown Metal Products and assisted in market research for Durabelt Inc.

Approved Financial Incentives to Establish or Expand Island Businesses and Develop and Expand Markets for Island Products

In Fiscal Year Ended March 31, 1999

	1999		1998	
Economic Sector	**No.**	**Amount**	**No.**	**Amount**
Aerospace	6	2,570,969	10	2,867,900
Biotechnology & Pharmaceuticals	1	32,969	5	21,400
Food - Agriculture	96	3,348,250	57	440,055
Food - Fisheries	40	8,336,006	45	2,342,690
General	31	524,247	36	495,845
Service	231	2,179,497	150	2,024,103
Film	17	1,173,480	6	96,000
Information Technology & Communications	28	1,688,432	26	4,513,518
Manufacturing	210	2,240,887	146	1,342,433
Tourism	23	1,116,785	19	563,504
	683	23,211,522	500	14,707,448

Type of Assistance	**No.**	**Amount**	**No.**	**Amount**
Industrial Mall	25	355,581	29	336,895
Rental Incentive	19	245,160	11	76,234
Equity Investors Incentive	20	553,250	10	178,750
Enterprise Development Fund/ Enterprise Assistance	51	760,477	70	1,286,919
Professional Services	65	29,501	0	0
Small Business Employee Support	124	399,790	0	0
New Entrepreneur Loan*	132	2,453,880	135	1,939,003
Venture Capital Loan Program**	0	0	4	565,000
Low Interest Loan Program***	14	282,085	0	0
Capital/Micro Business Assistance	66	420,610	53	386,223
Marketing & Trade Assistance	123	749,510	149	816,598
Infrastructure Fund	30	11,870,709	29	7,646,426
Small Business Equity Investments	12	3,410,000	6	277,500
Tax Incentives - Slemon Park	2	1,680,969	4	1,197,900
	683	23,211,522	500	14,707,448

* Repayable loans through participating financial institutions. Interest free for first year only.

** Venture Capital loans have interest only payable in the first year following which the investment is amortized over the balance of the approved term in regularly scheduled payments of interest and principal. After the retirement of the investment, EPEI requires the take out of the common share equity position.

*** Low Interest Loans for which EPEI pays an annual interest rebate for up to five years applied against term debt held by the PEI Lending Agency. Amount reported above is interest rebate.

Auditors' Report and Consolidated Financial Statements

PRICEWATERHOUSECOOPERS

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June 25, 1999

Auditors' Report

To the Minister of Development

We have audited the consolidated balance sheet of **Enterprise P.E.I.** as at March 31, 1999 and the consolidated statements of revenues and expenditures, retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP is a Canadian member firm of PricewaterhouseCoopers International Limited, an English company limited by guarantee.

Enterprise P.E.I.

Consolidated Balance Sheet

As at March 31, 1999

(in thousands of dollars)

	$
Assets	
Current assets	
Cash	4,693
Accounts receivable (notes 3, 8, 9 and 16)	1,735
Grant receivable	31
Prepaid expenses	33
Inventory (note 9)	476
Due from the Province of Prince Edward Island (note 4) – current operations	766
	7,734
Due from Province of Prince Edward Island (note 4) – Provision for possible losses	4,047
Investment in non-marketable securities (note 5)	10,250
Property holdings (note 6)	2,901
Capital assets (note 7)	14,096
Funds held in trust (note 8)	17,860
Net investment in leases (note 10)	1,008
	57,896
Liabilities	
Current liabilities	
Demand loan (notes 9 and 16)	160
Accounts payable and accrued liabilities (note 16)	7,743
Deferred revenue	114
Current portion of notes payable	1,216
	9,233
Funds held in trust (note 8)	17,860
Notes payable, less current portion (note 11)	17,430
Deferred credits (note 12)	11,899
	56,422
Contingencies (note 13)	
Shareholders' Equity	
Contributed surplus (note 16)	1,787
Deficit	(313)
	1,474
	57,896

Approved by the Corporation

_____ Minister

PRICEWATERHOUSECOOPERS

Enterprise P.E.I.

Consolidated Statement of Retained Earnings (Deficit)

For the year ended March 31, 1999

(in thousands of dollars)

	$
Retained earnings – Beginning of year	204
Excess expenditure for the year	(513)
	(309)
Excess revenue repayable to Province of Prince Edward Island (note 4)	(4)
Deficit – End of year	(313)

Enterprise P.E.I.

Consolidated Statement of Revenues and Expenditures

For the year ended March 31, 1999

(in thousands of dollars)

	$
Revenue	
Grant – Province of P.E.I.	18,264
– Other	169
Interest from borrowers	24
Interest from deposits	30
Property operations	943
Miscellaneous	14
Project revenues	1,656
Retail operations (Schedule)	274
	21,374
Expenditures	
Administration	1,163
Corporate management	835
Asset management	1,639
Business expansion activities	587
Food and Value Added activities	169
New Business Development activities	335
Trade Development activities	204
Programs	11,970
Charlottetown Civic Centre Inc.	178
P.E.I. Lending Agency Operating Grant	600
Development organizations	3,408
Interest on funds borrowed	57
Retail operations (Schedule)	171
Amortization of capital assets	2,212
Amortization of deferred credits	(1,641)
	21,887
Excess expenditures for the year	(513)

PRICEWATERHOUSECOOPERS

Enterprise P.E.I.

Consolidated Statement of Cash Flows

For the year ended March 31, 1999

(in thousands of dollars)

	$
Cash provided by (used in)	
Operating activities	
Excess expenditures for the year	(513)
Items not affecting working capital	
Amortization of deferred credits	(1,641)
Amortization – property holdings	2,212
Gain on disposal of property holdings	(3)
Decrease in due from the Province of Prince Edward Island – provision for possible losses	7,046
Reduction in carrying value of investment in non-marketable securities	(287)
	6,814
Net change in non-cash working capital items	
– increase in grant receivable	(23)
– decrease in accounts receivable	4,844
– decrease in deferred revenue	(44)
– decrease in prepaid expenses	54
– decrease in accounts payable and accruals	(1,391)
– decrease in due from Province of P.E.I. – current operations	(3,408)
– decrease in inventory	647
	7,493
Financing activities	
Increase in demand loan	160
Increase in deferred credits	45
Decrease in leased property (net)	7,284
Decrease in mortgage loans receivable (net)	74,895
Increase in funds held in trust	6,513
Decrease in notes payable (net)	(77,390)
Increase in net investment in lease	(1,000)
Increase in contributed surplus	450
	10,957
Investing activities	
Purchase of capital assets	(2,841)
Decrease in capital assets on commencement of lease	954
Additions to and purchases of property holdings	(753)
Reductions of and proceeds on disposal of property holdings	24
Increase in investment in private companies	(6,382)
	(8,998)
Increase in cash and funds held in trust	9,452
Cash and funds held in trust – Beginning of year	13,101
Cash and funds held in trust – End of year	22,553

(in thousands of dollars)

1. Status of the Corporation

Enterprise P.E.I. is a Crown corporation incorporated under the Enterprise P.E.I. Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

Some tourism and lending related activities of the Province of Prince Edward Island were carried on in part by Enterprise P.E.I. from April 1, 1998 to December 31, 1998.

On December 23, 1998, Tourism P.E.I. Inc. was incorporated pursuant to the Companies Act of Prince Edward Island and was continued as Tourism P.E.I. under the Tourism P.E.I. Act. With the approval of Treasury Board, the tourism related transactions of Enterprise P.E.I. for the period April 1, 1998 to December 23, 1998 and the related assets and liabilities as at December 23, 1998 were transferred to Tourism P.E.I. Inc.

On December 31, 1998, the Lending Agency Act was proclaimed, creating the P.E.I. Lending Agency, the successor to the lending services division of Enterprise P.E.I. with the approval of Treasury Board. The transactions of the lending division of Enterprise P.E.I. from April 1, 1998 to December 31, 1998, and the related assets and liabilities as at December 31, 1998 were transferred to the P.E.I. Lending Agency.

Enterprise P.E.I.'s consolidated 1998 financial statements included the assets, liabilities, revenues and expenditures of the tourism and lending divisions of Enterprise P.E.I. These consolidated financial statements have been prepared without comparative figures as the historical information is not representative of Enterprise P.E.I.'s current operations with the transfer of the tourism and lending divisions.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles.

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Environmental Industrial Services Inc., Corporate Services Ltd., Souris Food Park Development Corporation, Gateway Village Development Inc., Solanum PEI, A Canadian Potato Systems Company Inc. and Island Products Holding Inc., all having March 31, 1999 year ends.

b) Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis, and net realizable value.

(in thousands of dollars)

c) **Due from the Province of Prince Edward Island**

i) Current operations

Excess revenue (expenditures) for the year is recorded as an amount due to (from) the Province of Prince Edward Island.

Enterprise P.E.I. records as revenue the annual budgeted provision for current year's possible losses. The budgeted provision for possible losses is established as part of the normal budget process and is updated to reflect known changes as they become evident during the year. Any variance of the actual provision recorded in the corporation's accounts from the updated budgeted provision is recorded as an amount "Due to (from) the Province of Prince Edward Island – Current Operations" (note 4).

ii) Allowance for possible losses

The annual allowance for possible losses (expense or recovery) is recorded as an amount "Due from the Province of Prince Edward Island – Allowance for Possible Losses". The "Due from Province of Prince Edward Island – Allowance for Possible Losses" is reduced when a write-off is recognized by both Enterprise P.E.I. and the Province, with notes payable reduced correspondingly. During the year, Enterprise P.E.I. recorded bad debt recovery of $770 and write-off's of $2,913 in the allowance for possible losses.

d) **Allowance for possible losses**

An allowance is maintained which is considered adequate to absorb all credit and investment related losses and off-balance sheet items including guarantees. The allowance is deducted from the applicable asset on the balance sheet, except for guarantees. The allowance for guarantees is included in accounts payable.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions total $3,932. The accumulated allowances for losses on specific off-balance sheet items totalling $400 are not included in the provision.

The corporation reviews its investments and advances, leased property and property holdings and guarantees on an ongoing basis to assess whether an allowance or write-off is required.

A variety of methods are used to determine the amount expected to be recovered from investments and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of $115 includes accumulated allowances for losses which are prudential in nature and cannot be specifically identified. The general provision is based on past performance of similar loans, the level of the specific provision, management's judgement, the economic climate and the maturity and financial strength of the investee.

(in thousands of dollars)

e) Investments in non-marketable securities

Investment in and advances to private companies are recorded on the balance sheet at one-half of cost, under the Small Business Equity Program, except for investments in Amalgamated Holdings Inc., P.E.I. Capital Inc. and Polar Foods International Inc. The remaining one-half of these investments are accounted for as a business development expense on the statement of revenue and expenditures in the year the investment is made. Any recovery exceeding the balance in share investment is taken into revenue when received.

Investments in Amalgamated Holdings Inc., P.E.I. Capital Inc. and Polar Foods International Inc. are being carried at estimated realizable value. The investments in private companies are in either common shares or non-redeemable preferred shares.

Investments in private companies and advances – Venture Capital Debt program are written down to reflect estimated realizable value when an impairment in their carrying value becomes evident or an allowance is established. Write downs are included in business development expense.

Advances – Venture Capital Debt Program are recorded at cost.

It is not practical within constraints of timeliness and cost to determine the fair value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments and advances is based on expected future cash flows.

f) **Capital assets and amortization**

i) Property holdings

Property holdings are reported at the lower of cost, net of government grants, and estimated realizable value.

Office furniture and equipment and computer equipment are fully expensed in the year of acquisition. The amount expensed during the year ended March 31, 1999 was $79. Proceeds on the sale of industrial sites are recorded as a reduction in the carrying value of the asset. Buildings held for resale and industrial malls are amortized using the straight-line method at the annual rates of 7% and 4%.

ii) Amortization

Capital assets are amortized using the declining balance method and the straight-line method at annual rates ranging from 4% to 20% as indicated in note 7.

Assets under construction are not amortized until construction of the assets is substantially complete.

A full year's amortization is recorded in the year of acquisition.

(in thousands of dollars)

iii) Estimated realizable value

Estimated realizable value for industrial sites is the expected proceeds on resale and for industrial malls it is the property tax assessed value.

Foreclosed projects are carried at the lower of the cost of the non-performing asset prior to realization of the related security and the underlying estimated realizable value of the security.

Estimated realizable value for land, buildings and equipment held for resale under lease purchase option is its property tax assessed value.

The reduction from cost to estimated realizable value is recorded as a provision for possible losses.

g) **Net investment in leases**

The company's subsidiaries accumulate costs of constructing assets, that are to be classified as capital leases, as assets under capital lease, and the related grants as deferred credits until the lease term begins. When the lease term begins, the assets under capital lease and deferred credits are removed from the balance sheet and a net investment in leases is recorded. The net investment in leases represents the minimum lease payments receivable over the term of the lease plus the purchase option.

h) **Programs assistance payable**

Provincially funded non-cost shared program assistance is expensed and included in accrued liabilities when approved and accepted. Federal-Provincial cost shared programs are expensed when the funds are disbursed.

i) **Vacation pay**

Enterprise P.E.I. does not record accrued vacation pay as this is normally a non-cash expenditure that is funded through operating grants from the Province. To record the accrued vacation liability of $89 at March 31, 1999, Enterprise P.E.I. would also have to record an offsetting receivable from the Province as the Province funds any excess expenses for the year. However, the Province will not recognize this liability until such time that it becomes payable. A subsidiary company has recorded accrued vacation pay in order to match expenses to revenue derived from project recoveries.

j) **Deferred credits**

Enterprise P.E.I. subsidiaries have adopted the policy that contributions received towards the acquisition of capital assets are being deferred and amortized to income on the same basis as the related capital assets are amortized.

(in thousands of dollars)

k) **Revenue recognition**

Enterprise P.E.I. subsidiaries follow the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the balance sheet date.

Work in progress in excess of progress billings is recorded at year end to appropriately recognize revenue under the percentage-of-completion basis of accounting when work in progress is in excess of actual billings generated. Billings generated in excess of the related work in progress at year end are recorded as deferred revenue.

l) **Interest expense**

Interest paid by Enterprise P.E.I. is included as part of the program expense to which it relates. Included in expenses is interest expense for 1999 as follows:

	$
Interest on short-term borrowings	21
Interest on long-term debt	1,103
	1,124

m) **Management estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period.

n) **Estimated realizable value of financial instruments**

Estimated realizable value (fair value) is subjective in nature requiring a variety of valuation techniques and assumptions. The company's financial instruments are not exchangeable and it is difficult, and often not practical, to determine their estimated realizable value. Where it is possible to estimate realizable value, the company assumes that it will not sell the assets or the liabilities, taking into account only changes in credit risk as credit risk is the main cause of change in the estimated realizable value of the company's financial instruments. Credit risk is defined as the risk that the note holder will fail to discharge an obligation in whole or in part resulting in a financial loss to this company.

3. Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $796.

(in thousands of dollars)

4. Due to (from) the Province of Prince Edward Island

	$
Current operations	
Excess revenue for the year (non-consolidated) repayable to the Province of P.E.I.	(4)
Excess of current year's forecast provision for possible losses over actual provision for possible loss	770
	766
Provision for possible losses	
Balance – beginning of year	7,730
Current year's expense (recovery)	(770)
Less: Write-offs during the year	(2,913)
	4,047
Balance – End of year	4,813

5. Investment in non-marketable securities

	$
Investment in private companies	
Small business equity program investments – at cost	4,040
Venture capital equity program investments – at cost	176
	4,216
Less: Allowance for possible losses	2,656
	1,560
Investment in preferred shares of private corporations – at estimated realizable value	8,365
Advances – Venture Capital Debt Program	
Advances to private companies – bearing interest at variable rates, repayable on performance	835
Less: Allowance for possible losses	510
	325
	10,250

(in thousands of dollars)

6. Property holdings

	Cost $	Accumulated Amortization And Grants $	Net $
Industrial sites	3,489	2,938	551
Industrial malls	3,559	2,960	599
	7,048	5,898	1,150
Land, buildings and equipment held for resale or under lease purchase options			1,836
			2,986
Less: Allowance for possible losses – land, buildings and equipment held for resale			85
			2,901

(in thousands of dollars)

7. Capital assets

	Amortization rate %	Cost $	Accumulated amortization $	Net $
F.T.C. Enterprises Limited				
Building	5 SL	2,524	1,189	1,335
Pilot plant and laboratory equipment	5 and 10 SL	1,358	1,273	85
Laboratory supplies	50 SL	121	121	–
Computer and audio visual equipment	33 1/3 SL	356	332	24
Office furniture and equipment	20 SL	147	131	16
		4,506	3,046	1,460
Souris Food Park Development Corporation				
Waste treatment – soft costs	8 DB	92	7	85
– equipment	20 DB	2,909	582	2,327
Land		243	–	243
Land improvements	8 DB	2,512	402	2,110
Soft costs	8 DB	1,935	310	1,625
Equipment	20 DB	145	58	87
		7,836	1,359	6,477
Gateway Village Development Inc.				
Land		1	–	1
Building – Phase I	20 SL	3,095	284	2,811
– Phase II	20 SL	1,656	83	1,573
Land improvements – Phase I	10 SL	817	150	667
– Phase II	10 SL	344	35	309
Interpretative Centre	20 SL	1,072	393	679
Retail fixtures – Phase I	5 SL	74	27	47
– Phase II	5 SL	90	18	72
		7,149	990	6,159
		19,491	5,395	14,096

DB – declining balance
SL – straight line

8. Funds held in trust

Under the terms of an agreement between Corporate Services Ltd., Prince Edward Island Government Economic Development Fund (No. II) Inc., (Island Fund II), Prince Edward Island Government Economic Development Fund (No. III) Inc., (Island Fund III), Prince Edward Island Government Economic Development Fund (No. IV) Inc., (Island Fund IV), and Prince Edward Island Government Economic Development Fund (No. V) Inc., (Island Fund V), Corporate Services Ltd. is to act as the Escrow Agent for investors of a $30,000 venture capital fund offering for each of the funds, except for Island Fund IV which has a $35,000 venture capital fund offering.

(in thousands of dollars)

Corporate Services Ltd. receives the subscription forms from potential investors and holds the funds in trust until the commencement date. The commencement date is to be established within 100 days of receipt of twelve subscriptions. On the commencement date, the Escrow Agent shall:

- Advance to Island Fund II, Island Fund III, Island Fund IV or Island Fund V

  - 70% of subscription proceeds to be reinvested;
  - 10% of subscription proceeds to be used to cover offering and operating costs;

  Interest earned on the account while the funds are in escrow is the property of the specific fund.

- Establish a repayment account to retain on deposit the remaining 20% of the subscription proceeds to be invested in a liquid, high-rate investment account for the purpose of refunding rejected investors. Interest earned on the repayment account accrued to the benefit of the specific projects, Island Investment Development Inc., or Island Fund IV or V as applicable, and not Corporate Services Ltd.

Corporate Services Ltd. also administers a sinking fund for a non-related company.

9. Security for demand loan

An assignment by a subsidiary of inventory, book debts and fire insurance on inventory have been pledged as security for the demand loan.

10. Net investment in lease

The net investment in leases represents the minimum lease payments over the term of the lease plus purchase options receivable. The net investment in leases consists of the following:

Environmental Industrial Services Inc.

Environmental Industrial Services Inc. has entered into agreements to lease its three properties on terms that require these leases to be accounted for as capital leases. In accounting for the capital leases, the capital assets and related deferred credits have been removed and recorded as net investment in leases. The net investment in leases consists of the following:

- McCain Foods Limited – 10 year lease term for the period from February 20, 1991 to December 31, 2000, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of $20.

- Cavendish Farms – 8-year lease term for the period from January 1, 1994 to December 31, 2001, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of $10.

  Both leases have the option to be extended as an additional 10 years at the expiration of the lease term at the option of the lessee.

- Small Fry – 9-year lease term for the period from December 22, 1996 to December 31, 2005, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of $7,260.

(in thousands of dollars)

Souris Food Park Development Corporation

Souris Food Park Development Corporation has entered into agreements to lease its two properties on terms that require these leases to be accounted for as capital leases. When the company entered into the capital leases for capital property that it owned, the capital assets and related deferred credits were removed and the company recorded a net investment in lease.

The net investment in leases represents the minimum lease payments over the term of the lease plus purchase options receivable. The net investment in leases consists of the following:

- Souris Sea Foods Limited – 5-year lease term for the period from February 1, 1997 to January 31, 2002, $1 per year with a purchase option of $1.
- AgraWest Investments Ltd. – 5-year lease term for the period from June 16, 1997 to June 15, 2002, $5 per year with a purchase option of $1,000,000. The expenditures relating to the capital assets under lease for AgraWest Investments Ltd. have been completed in 1999 and, therefore, the $1,000,000 purchase option has been recognized.

11. Notes payable

	$
Notes payable – short-term promissory notes	1,950
– long-term	16,696
	18,646
Less: Current portion	1,216
	17,430

Short-term promissory notes are issued to the Province of Prince Edward Island with interest set monthly based on the Province's short-term lending rate in existence at the first day of the month. These notes are renewed on an ongoing basis with interest payable monthly.

The notes payable – long-term are issued to the Province of Prince Edward Island and have various repayment terms and interest rates ranging from 5.53% to 8.50%.

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as indicated below. Certain notes becoming due during the next five years have been assumed to be refinanced under similar terms:

		$
Year ending March 31,	2000	1,216
	2001	1,303
	2002	1,531
	2003	1,295
	2004	1,382

(in thousands of dollars)

12. Deferred credits

	Cost $	Accumulated Amortization $	Net $
F.T.C. Enterprises Limited			
Building	2,349	1,131	1,218
Pilot plant and laboratory equipment	998	998	–
Computer and audio visual equipment	25	25	–
Office furniture and equipment	53	53	–
	3,425	2,207	1,218
Souris Food Park Development Corporation			
Federal	7,212	1,251	5,961
Provincial	624	108	516
	7,836	1,359	6,477
Gateway Village Development Inc.			
Building – Phase I	3,095	284	2,811
Land improvements	817	150	667
Interpretative Centre	1,072	393	679
Retail fixtures	74	27	47
	5,058	854	4,204
	16,319	4,420	11,899

13. Contingent liabilities

a) As of March 31, 1999, Enterprise P.E.I. was contingently liable under loan guarantees in the amount of $11,278 for which Enterprise P.E.I. has included $400 in its allowance for possible losses. This portion of the allowance for possible losses is recorded as an accounts payable.

b) Souris Food Park Development Corporation has currently received federal funding for one sub-project in excess of the original cost-sharing agreement. If the funding agreement for specific projects is not renegotiated, Souris Food Park Development Corporation will have an unrecorded and unfunded liability.

c) F.T.C. Enterprises Limited has guaranteed loans of $25 of one of the private corporations in which it has invested.

(in thousands of dollars)

14. Commitments

F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the lease of land upon which the corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

The corporation has a commitment to provide up to $1,700 in grants under the infrastructure program for qualified projects. The commitment expires on December 11, 2001. It is not determinable at this time if the developer will obtain approval for additional expenditures under the existing project or for further qualified projects, therefore, no provision has been made in the accounts for the remaining commitment.

The corporation has committed under the Venture Capital program to invest $342 in the Atlantic Canada Fund. The commitment expires March 11, 2006.

15. Operating agreements

Environmental Industrial Services Inc. has agreements with McCain Foods Limited and Irving Pulp & Paper Limited to operate wastewater treatment facilities until December 2000 and 2001, respectively, and stipulate that the companies shall pay Environmental Industrial Services Inc. a user fee equal to the operating costs of the facilities excluding interest and amortization charges.

16. Related party transactions

Balance sheet

Accounts receivable

Included in accounts receivable is $252 due from the Province of Prince Edward Island.

Accounts payable

Included in accounts payable and accrued liabilities is $125 in accrued interest payable to Province of Prince Edward Island and $1,961 due to Island Investment Development Inc., a Crown Corporation.

Demand loan

The demand loan is due to a related company, P.E.I. Lending Agency, a Crown Corporation of the Province of Prince Edward Island.

Capital assets

The Province of P.E.I. transferred fund to Gateway Village Development Inc. in 1997. In accordance with the terms of the transfer, the exchange and carrying amounts of the land was established as $1.

(in thousands of dollars)

Contributed surplus

Gateway Village Development Inc. and F.T.C. Enterprises Limited have received $1,786 in funds from the Province of Prince Edward Island through Enterprise P.E.I. that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Statement of revenue and expenditures

Interest expense

Included in expenses is $1,124 in interest paid to Province of Prince Edward Island.

Asset management expense

Included in Asset Management expense is $450 in grants paid to a wholly-owned subsidiary. This amount has been recorded as contributed surplus by the subsidiary.

Miscellaneous revenue

During the year, the corporation provided office premises to two other Crown Corporations of the Province of Prince Edward Island, Tourism P.E.I. and Golf Links P.E.I. Inc., for nil consideration. Tourism P.E.I. provided management services to Corporate Services Ltd. for consideration of $14. Tourism P.E.I. is a Crown Corporation of the Province of P.E.I. and Golf Links P.E.I. Inc. is a subsidiary of Tourism P.E.I.

The above transactions were recorded in the normal course of operations and measured on the same terms as transactions with unrelated parties.

17. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failures which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Enterprise P.E.I.

Schedule of Retail Operations

For the year ended March 31, 1999 **Schedule**

(in thousands of dollars)

	$
Revenue	
Sales – Island Store	611
– Golf Store	97
	708
Cost of goods sold	
Island Store	343
Golf Store	91
	434
Gross margin	274
Expenditures	
Office supplies	3
Electricity, fuel, common area	10
Bank charges and interest	18
Cash short (over)	(2)
Telecommunications	2
Packaging	9
Advertising and promotion	8
Professional fees	8
Salaries and benefits	107
Travel	8
	171